

Oahu Farm Bureau
2343 Rose St.
Honolulu, Hawaii 96819
July 5, 2011

Councilmember Ernest Martin, Chair
Honolulu City Council
530 S. King St., Rm. 202
Honolulu, Hawaii 96813

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Dear Chair Martin and Members of the City Council:

I am sending this testimony to expand upon the Oahu Farm Bureau's testimony of June 1 regarding Bill 44 (now CD2), "Relating to Real Property Taxation of Agricultural Lands." In that testimony, we expressed concern that the bill as written would have a negative impact on farmers who hold short-term leases. The wording of Bill 44 CD2 seems to imply that, at a minimum, an applicant for agricultural dedication must keep the land in agriculture for five years, even if the current lease on the land is for less than five years. For example:

"The land dedicated shall be substantially and continuously in a use specified under subdivision (1) for the duration of the dedication period." (p. 3, Item (3))

"The approval by the director of the petition to dedicate shall constitute a forfeiture on the part of the owner of any right to change the use of the owner's land to a use other than agricultural for a minimum period of [one year,] five [years,] or 10 years, as the case may be or to cease to maintain the land as agricultural land for a minimum of 10 years." (p. 5, Item (h))

We recognize that Bill 44 amends the language of Section 8-7.3 to allow a lessee of "government-owned real property" to apply for dedication when the lease term is shorter than the dedication period. However, the bill does not appear to allow lessees of privately owned land the same privilege. Landowners are often reluctant to grant long-term agricultural leases, and we are concerned that Bill 44 as written will discourage some landowners from applying for or renewing agricultural dedications. Since it is standard practice to pass on property taxes to the leaseholder, it is the farmer who will bear the burden of higher taxes if this situation occurs.

In discussions with the City Council's Agricultural Development Task Force, Tax Division personnel indicated that the intent of Bill 44 was not to increase taxes on farmers with short-term private leases, and that dedication for a longer period than the actual lease would be permitted. However, personnel and priorities change with time. We therefore still feel that Bill 44 CD2 should be further amended with language specifically allowing five-year dedication for lands under short-term private agricultural leases.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in cursive script that reads "Frederick M. Mencher". The signature is written in black ink and is positioned above the printed name and title.

Frederick M. Mencher
Vice-President, Oahu Farm Bureau